

AN OPTIMAL METHOD, SYSTEM, AND STORAGE MEDIUM FOR RESOLVING  
DEMAND AND SUPPLY IMBALANCES

BACKGROUND

The present invention relates generally to integrated supply chain, sales and marketing systems and methods, and more particularly, the invention relates to a method, system, and storage medium for resolving demand and supply imbalances.

Effective supply chain management is becoming increasingly important to manufacturing enterprises, particularly with respect to commoditized products. In today's global economy, life cycles and prices related to commodities have dramatically declined over the last ten years. Further, the growth of e-commerce on the Internet creates additional pressures on this type of industry as traditional geographic barriers are broken down and new businesses/competitors are entering the market. To stay competitive, these market dynamics require commoditized businesses as well as other industries to develop and introduce new products faster and cheaper than the competition. To meet this challenge, new and enhanced business solutions are critical.

Business processes, associated criteria, and applicable tools are used to optimally condition demand based on current supply positions. Many factors can contribute to demand and supply imbalances, such as an increase in unforecasted demands, higher than expected supply capability, shifts in technology, customer wants and needs, or poorly selected price points. Advertising

campaigns and improved sales forecasting are used in an effort to rectify such imbalances. However, advertising has been known to be ineffective or even backfire. Forecast accuracy is a perennial problem. It is also common for  
5 companies to rebalance demand and supply through pricing actions alone. From a macroeconomics perspective this may seem prudent. However, pricing actions fail to address the many factors that address the imbalance in demand and supply. The outcomes of unresolved demand and supply  
10 imbalances include lost revenue, high inventory, and decreased customer satisfaction.

What is needed, therefore, is a way to provide integrated demand planning, sales forecasting, inventory liability reduction, replenishment, process reengineering,  
15 sales operations, and other business processes related to integrated supply chain, sales and marketing management activities.

## SUMMARY

20 An exemplary embodiment of the invention relates to a method, system, and storage medium for resolving demand and supply imbalances. The method comprises identifying at least one excess component inventory liability or constraint in supply capability for an end product by  
25 matching current buying patterns for the end product against inventory liability and supply capability based on a previous demand forecast. Where excess component inventory liability exists the method refocuses the excess component inventory liability by determining alternative end products that use components identified in the excess  
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component inventory liability; and executes sales activities for enticing sales of the alternative end products. Where constrained supply capability exists, the method determines alternative end products that are functionally equivalent to those identified in the constrained supply capability; and executes sales activities for enticing sales of functionally equivalent alternative end products.

10 BRIEF DESCRIPTION OF THE DRAWINGS

Referring now to the drawings wherein like elements are numbered alike in the several FIGURES:

FIG. 1 is a block diagram illustrating a supply chain system upon which the demand conditioning system is implemented in an exemplary embodiment;

FIG. 2 is a diagram illustrating two supply imbalance scenarios that trigger implementation of the demand conditioning system in an exemplary embodiment;

FIG. 3 is a diagram illustrating processes, attributes, and objectives associated with the demand conditioning system in an exemplary embodiment;

FIG. 4 is a diagram of the supply liability reduction component of the demand conditioning system in an exemplary embodiment; and

FIG. 5 is flowchart describing the process of executing the demand conditioning system in an exemplary embodiment.

#### DETAILED DESCRIPTION

The demand conditioning system creates and integrates independent business sub-processes into a coherent demand conditioning business process that systematically addresses imbalances between demand and current supply position. The demand conditioning system integrates customers' wants and needs, supplier capabilities, and internal planning efforts to effectively balance supply and demand, grow revenue, increase customer satisfaction, enhance profitability, and minimize inventory liability. The demand conditioning system is an interdisciplinary, proactive process based on product performance, pricing, availability, and data mining. The business process may be used for all market segments and all routes to market, including face-to-face, inbound and outbound telephones sales (TeleSales), business partners and distributors, and Internet sales operations. Sales and marketing techniques may vary by market, channel, and business conditions, but the process is sufficiently robust to handle dynamic business and environmental factors. Near real-time demand and supply data, business rules and process synchronization are prescribed for the demand conditioning system. The demand conditioning system process is portable across business models, business units and products sold.

The demand conditioning system is performed using a three-phase approach: plan, develop, and execute. The demand conditioning system process evaluates periodic (e.g., weekly) imbalances between the current and future demand forecasts and supply positions. The demand conditioning system process assesses those weekly

imbalances as either excess (i.e., over supply) or constrained (i.e., short supply). It further differentiates those imbalances as short-term (e.g., three weeks or less) or long-term (e.g., over three weeks), which  
5 drives unique activities within the three phases of the demand conditioning system. For example, short-term excess supply may be dealt with through an ad hoc sales activity where long-term excess supply position may be resolved through the supply liability reduction process, including  
10 formal promotions.

The demand conditioning system process proactively responds to demand and supply imbalances by using product, option, and component pricing, availability, and alternatives to influence customers to purchase products  
15 that are readily available and meet their business needs. The demand conditioning system process includes operational activities to mitigate the effects of imbalances, including determining the offerings' routes to market and interdisciplinary means to reduce the inventory liability.  
20 Examples of interdisciplinary means include brokering, vendor negotiations, squared sets analysis and build out (part of the optimization engine 104), option package development, promotions, incentives and commissions, special up-sell, alternative-sell, and down-sell  
25 activities. Each demand and supply imbalance is unique on the basis of scope, technology, product, market, etc., but the business process is repeatable and drives consistent outcomes of revenue growth, profitability and inventory liability minimization. The demand conditioning system

includes process attributes, business scenarios, and metrics.

The demand conditioning system advances the demand planning, supply chain management, inventory and consultancy fields by identifying the components of an optimal demand conditioning process. The logical arrangement of sub-processes provides a coherent approach to demand and supply imbalances, development of tactical plans to mitigate imbalances, and a means to achieve optimal business conditions. The demand conditioning system process employs analytic techniques to achieve optimal demand conditioning that can be enhanced with appropriate automation tools.

In terms of structure, reference is now made to FIG.

1. Therein depicted is a block diagram representing a network system 100 for implementing the demand conditioning system in one embodiment of the present invention. System 100 includes a host system or server 102 executing an optimization engine 104, the demand conditioning system 106 including a supply liability reduction component 108, a commerce engine 110, a workflow tool 112, an enterprise resource planning (ERP) tool 113, a customer relationship management (CRM) tool with analytics 114, and any other similar applications typically found in a supply chain environment. For purposes of illustration, the workflow component 112 utilized is IBM's Holosofx(TM) and the commerce engine 110 utilized is IBM's Websphere(TM) Commerce Business Edition. Commerce engine 110 performs a variety of functions and includes a product catalog 130, pricing component 132, a merchandising component 134,

Internet/Web capabilities 136, a telesales component 138, and a configuration component 140. Commerce engine 110 receives customer orders and sends the data to ERP tool 113. Electronic commerce tools are generally used in e-business environments and will be understood by those skilled in the art. CRM tool 114 provides business intelligence to allow an enterprise to evaluate its customers by determining such factors as customer segments, preferences, purchasing history, etc.

Host system 102 is connected through a network 126 to client systems 115-124. Network 126 may comprise a LAN, a WAN, Internet or other network configuration known in the art. Further, network 126 may include wireless connections, radio based communications, telephony based communications, and other network-based communications. Secure Socket Layer (SSL encryption) software may be used to control access to host system 102, limiting permissions to network users, such as remote client systems and third party supplier or vendor systems, who have proper authorization.

Host system 102 may include an IBM® S/390 system or other suitable computer system. Host system 102 may execute web server software designed to accommodate various forms of communications, including voice, video, and text typically utilized by large business enterprises. Any web server software or similar program that handles general communications protocols and transport layer activities could be used as appropriate for the network protocol in use. For purposes of illustration, host system 102 is running Lotus Domino(TM) and Lotus Notes(TM) as its

groupware applications software, however, any compatible e-mail-integrated, web-enabled collaborative software could be used.

5 Data repository 128 comprises any form of mass storage device configured to read and write database-type data maintained in a file store (e.g., a magnetic disk data storage device). Of course, it will be appreciated that data repository 128 may be one that consists of multiple disk subsystems which may be geographically dispersed and  
10 coupled via network architecture. There is no positive requirement that data repository 128 be maintained in one facility; to the contrary, the volume of information stored therein may dictate geographical dispersion and the like.  
15 Data repository 128 is logically addressable as a consolidated data source across a distributed environment such as network system 100. The implementation of local and wide-area database management systems to achieve the functionality of data repository 128 will be readily understood by those skilled in the art. Information stored  
20 in data repository 128 is retrieved and manipulated by a database manager and data mining software. For purposes of illustration, the database manager is utilizing IBM's DB/2® software.

25 Data repository 128 provides a repository for a library of documents and data that are created and utilized by the demand conditioning system, such as bills of materials (BOMs), available to promise statements (ATPs), sales plans/forecasts, business intelligence (analytics) and other data.

Client systems 115-124 comprise general purpose computer devices that allows systems 115-124 to connect to the network 126 and host system 102. Client systems 115-124 may access host 102 via internal web browsers located therein. Individual client systems 115-124 are described below. It will be understood that additional client systems may be utilized by the demand conditioning system and that the client systems 115-124 are representative of the types of client systems that may be found in system 100.

Individuals and teams involved in the business enterprise executing the demand conditioning system perform specific roles throughout the demand conditioning system process. They are also in communication with each other via client systems 115-124 as will be described further herein.

Vendor system 115 refers to a client system operated by external provider of components as well as business supplies used by the business enterprise. Procurement team system 116 refers to a client system operated by a procurement representative responsible for purchasing products for the business enterprise. Procurement team system 116 may trigger the initiation of the demand conditioning system when it is determined that there is significant material without demand (e.g., where there is little or no demand or potential sales for a product due to poor forecasting or other events). Liability council system 117 refers to a client system operated by a liability council member who performs various duties with respect to the demand conditioning system. For example,

where the procurement team has indicated that there is material without demand, the liability council may look at the terms and conditions of the respective suppliers for these materials in order to determine the nature of the liability. The liability council then evaluates ways to mitigate that liability.

Offering development team system 118 develops, qualifies and manages the product structure throughout the entire product life cycle from conception to end-of-life.

1 Sales team system 119 refers to a client system operated by a sales/merchandising team member who is tasked with establishing purchasing incentives such as "buy-one-get-one-free", free shipping for certain products, promotional discounts, and similar plans.

Customer system 120 refers to a client system operated by a customer or prospective customer of the business enterprise where the customer inquires about purchasing or engages in the purchase of one or more end products from the business enterprise.

Integrated Demand and Supply Planning team system 121 refers to a client system operated by a member of the integrated demand and supply planning team. The integrated demand and supply planning team addresses imbalances in supply and forecasting activities by evaluating significant forecast inaccuracies and developing ways to mitigate them.

Business partner/distributor system 122 refers to a client system operated by a business partner or distributor of the business enterprise. A business partner is generally focused on entitled discounts. The business partner may buy in bulk from the business enterprise via a

customized product catalog. A distributor typically sells products of the business enterprise under two-tier business framework. Business partners and distributors may be considered customers of the business enterprise as described above with respect to customer system 120.

5 Finance system 123 refers to a client system operated by a finance representative of the business enterprise. The finance team is responsible for setting prices on goods and provides the final vote on pricing matters, taking into account costs versus profitability and quality range 10 levels. Updated pricing structures are accomplished via the pricing component 132 of commerce engine 110.

15 Marketing system 124 refers to a client system operated by a marketing representative of the business enterprise. The marketing group is involved with generating demand for a product which is then provided to the sales team. The marketing group also builds and maintains a hard copy of the product catalog and develops communications associated with products that are then 20 provided to external advertisers.

The following definitions are supplied in reference to the components of the demand conditioning system.

End product. An end product refers to anything a customer purchases including finished goods and options.

25 Finished goods. Finished goods refer to completed goods for which at least one component is used to manufacture.

Options. Options refer to goods associated or related to the finished goods such that customers are likely to purchase them at the same time the desired finished goods

are purchased. For example, options for a computer might include a printer, CD R/W drive, or other peripherals.

Excess component inventory liability. This refers to physical on-hand component inventory and/or contractual obligation to purchase components for the manufacture of finished goods which exceeds orders taken and forecasted demand. The liability threshold is calculated using on-hand supply and contractual obligations versus finished goods, end-of-life ramp down and demand forecast.

Constraint in supply capability. This refers to a short fall in on-hand component supply or component supply forecast, finished good or option that constrain the ability to supply an end product or option in quantities and timing defined by a demand forecast.

The demand conditioning system process is initiated in response to one of two possible supply position scenarios: excess supply (e.g., more components or projections within the demand forecast) and constrained supply (e.g., insufficient components to satisfy projected customer requirements). These two supply positions are further subdivided into time dimensions, either long-term (e.g., over three weeks) or short-term (e.g., three weeks or less). This distinction is used to differentiate the type of demand conditioning activities in the develop and execute phases of the demand conditioning system process.

Another dimension of the supply position is finished goods and components as shown in FIG. 2. Production value-add converts components to finished goods or options. Production value-add refers to the application of time,

money, people, energy, resources, etc., to raw materials or partially finished goods to make a whole. In most cases, there will not be a constraint on finished goods, rather a constraint on one or more components required for producing  
5 the finished good. Focus should be placed on the constraining component to resolve this issue. However, some occurrences, such as a catastrophic failure of a production facility, would constrain finished goods and normally have a direct impact on sales. In the constrained  
10 supply scenario, the demand conditioning system process would attempt to move or shift customers to a more readily available product.

Another aspect of the demand conditioning system considers how a seller of the finished goods interacts with  
15 the customer. For excess supply positions, the seller needs to generate demand via marketing and sales actions, such as promotions, marketing campaigns, reassessing routes to market, special bids, employee sales, revised commissions, price delegations and associated discounts,  
20 and aggressive and targeted telesales techniques. The technique selected depends on current market conditions and other environmental factors.

Additionally, in an excess supply position, close product alternatives (e.g., excess-supply products with  
25 similar function and price points) as well as correlated bundling opportunities (e.g., where customers typically buy products A and B together and A is in excess) can be used.

In a constrained supply position, a preferred approach is to move customers to another solution (e.g., combination  
30 of products, options, components or services) rather than

booking the constrained order and waiting for the components. The value propositions of this technique are to reduce order management cycle times and costs, move current inventory, and minimize the risk of losing the sale.

Various merchandising techniques are utilized by the demand conditioning system. There are four general sales methods to address supply imbalances: cross-sell, up-sell, alternative-sell, and down-sell. When a customer is browsing or shopping for a solution the customer has expectation ranges for product capability, availability and price. These selling methods can be generally characterized by these expectation ranges as described below.

An up-sell opportunity is where a customer is sold a more richly configured solution (140) within the same product family above the customer's price range that satisfies the delivery date requirement. Incentives may be used to entice customers to agree to an up-sell.

A cross-sell opportunity provides complimentary products and services based on the products the customer has selected. Examples include shipping, warranty, accessories, and peripherals. Volume discounts may apply to cross-sell items.

An alternative-sell relates to a sale of a similar product to the customer that falls within the customer's price range and which satisfies the delivery date requirement.

A down-sell opportunity refers to a sale of a less capable alternative below the customer's price range and that satisfies the customer's delivery date requirement.

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These techniques are used by the demand conditioning system to enhance customer satisfaction as well as generate the highest profit for the business. These goals can be realized by establishing an entry point product and 10 providing products of increasing value to customers (i.e., up-sell), either through more capable products with an improved availability or through additional customer customization. Once a product is selected, the customer may identify complimentary options as part of the cross- 15 sell merchandising techniques. Alternative-sell and down-sell opportunities are typically not as profitable and may be used as a last resort.

The demand conditioning system uses product and component availability, pricing, and product information to 20 influence customers' buying behavior. These elements require an interdisciplinary approach as shown in FIG. 3 and involve participation from various departments of the business enterprise such as offering development 118, procurement 116, fulfillment, production, sales 119, 25 marketing 124, distribution, and finance 123 teams. The sales department's responsibilities include: determining offering 'sweet spots', develop promotional campaigns in response to long-term over supply positions, withdraw advertising for constrained supply products, refresh the product catalog frequently, develop scripts for inbound and 30

outbound telesales activities, assess incentives and commissions based on campaigns, and incorporate finished goods inventory at business partners as part of the complete inventory position.

5           The pricing function 306 should permit automatic, rules-based delegated and promotional pricing based on marketplace demand, value perishability, and supply position. Each customer segment should have a pricing range established and refreshed based on a set of policies and business rules. The pricing must be synchronized across all routes to market to ensure one unified front is presented to the customer, regardless of the route the customer chooses to purchase the product. This results in improved customer satisfaction and channel harmony. If the  
10          customer has a unique contract with the seller, then the customer's entitled price should be displayed along with the associated volume discounts. The pricing methodology should be sufficiently flexible to deliver either profit or revenue maximization based on the given supply situation.  
15  
20          The finance team 123 adjusts the price system 132 accordingly.

25          The product, option, and component product structure of the 'alternatives function' 304 should be listed in product association tables and updated on a daily basis. Product association tables provide suitable solutions i.e., a specific laptop with a printer and cable. For example, not all printers or cables work with specific laptops. Therefore, the tables provide a trusted source of data that ensures the customer selection will function as a complete  
30          solution. The product association tables are jointly

developed and managed by the offering 118 and marketing 124 teams, and are maintained in the product catalog 130.

Product releases should specify qualified and comparable products, options and components. The product structure should be categorized by price range, functional equivalence and availability to facilitate codification into cross-sell, up-sell, alternative-sell, or down-sell opportunities. Similar products with a longer lead time availability than the originally selected product should not be shown to the customer or sales representative.

The availability data 302 should be provided by a single trusted data source for credible information, normally the scheduling application of ERP component 113. The data should be refreshed in real-time to permit a dynamic demand conditioning process. The availability function 302 should be capable of translating a supply-based available-to-promise (ATP) statement (e.g., a quantity capable of being produced) into an availability lead time of the number of days to delivery. Transit information should be calculated based on source of supply and destination. As the customer is configuring their solution, pricing and availability information should be displayed in the configurator 140 of commerce engine 110 and prior to order submission. The configurator 140 provides the customer the opportunity to customize a solution to their unique specifications. For example, on a desktop computer, you can select the speed of the processor, the size of the hard disk (20 GB, 30 GB, 40 GB, etc.), software, operating system, etc., can be selected.

The data mining component 308 is performed by CRM and analytics component 114 and provides business insight into the effectiveness of merchandising campaigns, product history (suggestive up-selling based on most popular products), customer and segment analytics (ensuring that the business enterprise knows who the customer is and the industry they participate in). Data mining linked with statistical models will provide reactive information for inbound TeleSales calls and proactive, targeted and integrated marketing communications via outbound TeleSales calls and e-mails.

The demand conditioning system process incorporates a continuum of techniques to mitigate demand and supply imbalances. Each of these techniques, in turn, helps to reduce inventory liability by making adjustments to other business processes and create attractive offers for the customer. The demand conditioning system process minimizes inventory write-off to an acceptable financial level, identifies products and components not susceptible to further demand conditioning activities, and maximizes demand conditioning activities on products and options that have sales potential and generate profitability.

The supply liability reduction component 108 of the demand conditioning system provides a time-phased approach to reducing supply liability as shown in FIG. 4. The sub-processes 402-408 begin at a 100 percent liability assessment and, through a series of mitigation activities, seek to reduce the liability to an acceptable financial level. FIG. 4 depicts the relationships with the vertical axis representing the magnitude of the liability and the

horizontal axis generally reflecting the mitigation efforts over time.

The procurement and development assessment sub-process 402 involves conducting a cross functional assessment by the offering development team 118 and procurement supply assessment team (herein referred to as "procurement team" 116). The procurement team validates the scope and duration of the liability and takes the one or more of the actions described below.

10                   Rebalance demand and supply on a worldwide basis.

For example, the imbalance in one geography could be alleviated by shifting demand or supply from another geography.

15                   Sell components back to vendors. If the technology of the component has not aged, it may be suitable for another customer.

Negotiate with the vendor to eliminate or reduce the liability based on mutually agreed to incentives. The technology of the component may have lost some of its value with aging and does not command the original supplier price. The negotiations should provide some incremental value to both parties.

20                   Assess whether the components could be used for field parts in support of the warranty program or servicing requirements.

25                   Qualify the components in new products.

Recommend adjustments to the sales forecast in the demand and supply planning process. For example, a constraint may be addressed by adjusting the demand statement.

Forward recommendations for issues that could not be resolved to the Liability Council. This action initiates execution of sub-process 404, that is, liability council 117 assessment.

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The liability council assessment sub-process 404 receives the unresolved development and procurement assessment issues. The liability council 117 is a cross-functional team and comprises representatives from procurement 116, finance 123, offering (development) 118, sales 119, integrated demand supply planning 121, manufacturing, and supply chain teams. The council develops solutions and preventative measures concerning inventory liability issues and oversees end-of-production transition from development and manufacturing to the warranty and service phase of the product life cycle. The council meets periodically, (preferably weekly at a minimum) and takes one or more of the actions described below.

10

Update the forecast based on material without demand or a constrained supply position.

Conduct squared sets analysis (e.g., bill of material explosion and product implosion).

15

Broker the components or products that are no longer saleable through the business' sales team.

Create saleable bundles with other current offerings.

Develop option packages that are attractive with other products.

Recommend alternative routes to market to the sales team.

5 Make recommendations to the liability write-off team, which is comprised of finance team members, for products, options, and components not suitable for additional demand conditioning actions. Conduct end-of-life planning and product transitions.

10 Forward recommendations for sales actions to the demand conditioning meeting. This action initiates execution of sub-process 406; that is, sales activities.

15 The sales activities sub-process 406 comprises a set of sales activities undertaken by the finance 123, marketing 124, sales 119, and distribution teams. This group is responsible for engaging the customer 120 through various channels 122 and means. The team takes one or more the actions described below.

20 Develop a promotion for long-term overages through advertisements and other communications media.

Offer the solution via other routes to market, such as secondary channels, brokers, special bids, or employee sales. Data mining 114 may be used to provide focused results and achieve the desired impact.

25 Authorize pricing actions, including price decreases, discount incentives, and pricing delegations.

Establish incentives for buying or selling.

Reassess the commission structure for the offering.

Update telesales team scripts 138 for inbound and outbound telephone calls.

5 Request the liability council address specific issues that cannot be resolved via sales activities.

10 The liability write-off sub-process 408 is conducted by a team including representatives from finance 123, manufacturing, and inventory management based on a recommendation from the liability council 117. The remaining inventory liability is handled through a financial transaction with the vendor or is scrapped. The scope and timing of these actions are determined by the  
15 finance team based on accounting principles and financial objectives such as an expense to revenue target based on industry benchmarks or corporate goals.

20 The demand conditioning system process is a proactive, self-correcting process for resolving demand and supply imbalances. The demand conditioning system process is described in FIG. 5. The activities for the plan phase occur at steps 501 through 508 and 526-528 as part of the closed loop process. The activities for the develop phase occur in steps 509-513. The activities described in the  
25 execute phase occur in steps 514-525.

30 In the plan phase, a business strategy and plan is developed at step 501 by business strategists, finance 123, and marketing 124 team members. This step involves creating a business model, value proposition, market analysis, and other business plans.

This information from step 501 creates a sales forecast at step 502 via representatives from finance 123, marketing 124, sales 119 and integrated demand and supply planning 121 teams. The sales forecast is entered into the 5 ERP 113 system via an optimization application 104. The worldwide sales forecast may be subdivided by geography and channel (e.g., route to market). Creating the sales forecast includes developing planning cycle parameters, assessing supplier responses, conducting end-of-life planning, and identifying excess products/options, constrained components, risks, and alternatives. During the demand conditioning process, the sales forecast may be updated at step 502 as will be described further herein. These forecast updates are the result of proposed sales 10 activities conducted by the marketing team (from step 509). The sales forecast is created and updated through interactions with other sub-processes such as SLR component 402 (step 505), SLR component 404 (step 506), and results of demand conditioning meetings (step 508). The sales 15 forecast information is provided to the integrated demand and supply planning team. The sales forecast may be updated upon receiving corrective actions at step 527. These corrective actions result from the collection and 20 assessment of demand conditioning data and performance for demand conditioning system processes previously executed (steps 525 and 526).

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In addition to providing the business strategy plan information to the sales forecast team, it is also provided to the product offering team where product offering development activities occur at step 503. The outcome of 30

5       this step is the development of the product structure and  
the creation of the product, option and component product  
matrices. The product structure is provided to the  
integrated demand and supply planning 121 team and  
procurement 116 team, and product association tables are  
merged with pricing information and provided to the sales  
119 team and content development component for presentation  
to customers 120 or business partners 122 upon request.  
The pricing information includes portfolio, entitled, and  
10      delegated pricing information. The product offering team  
interacts with the liability council 117 to qualify  
components and develop option packages, as well as certify  
and manage product life cycles.

15      An integrated demand and supply planning sub-process  
occurs at step 504 where the integrated demand and supply  
planning 121 team receives the product structure from the  
product offering 118 team and receives the sales forecast  
from the sales forecast team. The integrated demand and  
supply planning process explodes the BOM based upon the  
20      sales forecast as well as current demand data received from  
the scheduling component, supplier commitment to the supply  
request, and implosion into saleable products resulting in  
an available to promise (ATP) statement for each product  
and component. The ATP statement embodied in ERP 113 is  
25      translated into lead times for delivery and then sent to  
the scheduling component. This information is also sent to  
the SLR procurement and development assessment process 402.

30      At step 505, the SLR procurement and development  
assessment sub-process 402 is performed by procurement 116  
team members and offering development 118 team members

using supply information received from the integrated demand and supply planning 121 team. Any unresolved supply liability is provided to the liability council 117 and is referred to as material without demand data. This  
5 procurement and development assessment sub-process 402 interacts with the product offering team and sales forecast team. Sub-process 402 is described further in FIG. 4.

At step 506, a SLR liability council assessment 404 is conducted by the liability council 117 comprised of  
10 procurement 116, finance 123, offering development 118, sales 119, integrated demand and supply planning 121, manufacturing, and supply chain personnel. This process receives supply liability information from the procurement team and provides recommendations to the demand  
15 conditioning meeting. Any liability write-off recommendations 408 may be determined in step 506. This process also interacts with the offering development team 118 and sales forecast team. The sales forecast team updates the sales forecast based on the material without  
20 demand data. As indicated above with respect to step 503, the liability council 117 interacts with the offering development team 118 to qualify components, develop option packages, and certify and manage product life cycles. The liability council assessment process 404 is described  
25 further in FIG. 4.

At step 508, a demand conditioning meeting is conducted. The weekly meeting preferably comprises an interdisciplinary team comprised of offering development 118, finance 123, procurement 116, sales 119, marketing 30 124, fulfillment, supply chain, telesales, web content

management, operations, and manufacturing. The team members identify demand conditioning opportunities and recommend an updated sales plan to address the demand and supply imbalances based upon the results of the liability council assessment 404. The members of the demand conditioning meeting interact with the sales forecast team and provides sales, marketing, and distribution direction to the sales activity team based upon the current and future over supply or constrained supply positions. For example, for long-term overages that qualify for a promotion, the marketing team will receive appropriate direction. Ad hoc sales actions are directed through step 511. In the event that a product or option is constrained, the content may be pulled from the Web.

At step 509 sales activities are developed by members from the marketing 124 team, sales 119 team, finance 123, and distribution. A marketing campaign or sales promotion 134 is developed by the marketing team and may include electronic and non-electronic media with specific product content and special pricing. The marketing team creates the offering, identifies the target audience and determines the media channels to be employed. Timing and target audience analysis drives media options to create favorable marketing impression, and identifies the frequency and duration of the campaign. Additionally, formal marketing campaigns establish brand image, technological and price leadership, and activate customer interest in the solutions proffered. Formal marketing campaigns move long term excess supply, and establish customer interest in entry products suitable for cross-sell and up-sell opportunities.

The entire promotional package requires that the sales forecast be updated via a feedback loop to step 502.

At step 510, an incentives and commissions plan which is created from step 509 is reassessed to ensure the promotion's success. The input from the marketing team 124 is utilized for executing the marketing campaign.

Purchasing behavior is measured in relation to various incentives. Based on historical precedent, the incentives and commissions required to support a specific promotion is calculated and their use authorized. The incentive and commission information is passed to the telesales teams to motivate the desired selling activity.

At step 511, sales activities are identified that do not require a formal marketing campaign, web content changes, or pricing action. The sales activity is translated into a simple script that the telesales team can use.

A script for the telesales team is developed at step 512. Regardless of the marketing campaign or sales activity, the information is translated into a usable script for the telesales team to manage leads and opportunities. Scripts 138 include promotional timing information, marketing segments, profitability targets, method of customer contact, and explicitly lay out the details of the promotion and verbiage to be used by the telesales team. The scripts identify the products suitable for up-sell, normally logical transitions from a base or entry configuration, with key recommendations that create value in the customer's mind. Below the products

alternatives on the script, several cross-sell opportunities are suggested that complete the order.

At step 513, content on the Internet or Web 136 is developed or removed. The product structure information 130 provided by the product offering team 118 is merged with pricing information 132 and internal availability from ERP 113 into commerce engine 110. Constrained supply is identified in the weekly demand conditioning meeting, and a recommendation is made to pull the product or option from the web. A specific marketing campaign's information to move excess supply will be pushed onto the Web. The Web content will be made available to the telesales team and Internet portal for business partners 122 and registered customers 120.

At step 514, the customer 120 or business partner 122 who is influenced by a marketing campaign makes interactive inquiries through the telesales team or the Web 136 and designs solutions via the telephone or Web. Many customers may be browsing the Web to obtain key product, price and availability information. The information will assist customers in formulating a buy decision or follow a prompt to call the telesales team.

At step 516, the sales leads and opportunities are managed by the telesales team. Various information inputs are presented to the telesales team from the incentives and commissions plan, scripts from telesales component 138, web content 136, external availability provided by vendor system 115, and internal availability provided by ERP 113. This allows the telesales team to interactively communicate with the customer to design a solution for the customer.

The telesales team will aggressively employ the predefined scripts to facilitate up-sell and cross-sell opportunities. In some cases through data mining conducted by CRM component 114, select products are targeted toward specific customer sets through outbound telephone calls (enhanced penetration). The telesales team tracks manages, and closes opportunities.

Availability information for products, options and components held by business partners 122 is provided to the telesales team to assist in closing sales or fulfilling back orders through buy back techniques. The company may sell a product or option to a distributor or business partner at client system 122. In the event the business enterprise is out of stock of a specific product, it may query its distributors and business partners for the requested item, and repurchase it.

At step 518, solutions (e.g., combination of products, options, components and services) are designed over the telephone between the customer and telesales team, where an opportunity is converted to an order. The telesales team identifies cross-sell and up-sell opportunities based on scripts and availability considerations. A price is quoted to the customer, with the associated contractual agreement and disclaimers, before securing customer approval over the telephone.

Input from the telesales team at step 518 or Internet 521 are received at step 519 and the solution is sent to scheduling at step 523. Orders that pertain to demand conditioning activities may include associated promotion or sales codes or keys entered during the ordering process to

permit the collecting of sales data at step 525. The sales order is built and completed, with appropriate administration and configuration validations.

At step 520, a customer 120, 122 goes directly to the Internet to order a product based on prior product knowledge and customer registration (522). The customer keys in a unique identifier code to commence and streamline the ordering process (521-523). Upon confirming the customer's identity, the customer profile, personalization, and entitlements are displayed to the customer. The web site preferably includes traffic reporting and behavior analysis capabilities to obtain insight into customer activities that may be indicators of conversion success for a specific promotion.

At step 521, customers may design a solution after they have identified themselves as part of the browse shop and buy experience. Prior to ordering, the customer can continue the business relationship by requesting a unique identifier code from the business enterprise. The web site configurator 140 identifies cross-sell and up-sell opportunities based on historical buying patterns, current configuration, shopping cart, or availability considerations. The customer will be presented with these opportunities, either automatically based on current sales actions, or through a selection by the customer. A price is displayed to the customer, with the associated contractual agreement and qualifiers before the customer submits the shopping cart to the seller.

At step 522, an Internet relationship is established between the customer and the company. The customer

provides critical information as to their identity and the business enterprise provides a unique identifier code that may be reused on a recurring basis by the customer without rekeying order data. Registration allows for web customer analysis by CRM component 114 which provides a complete view of the customer's interactions. Data mining permits targeted, proactive merchandising to customers based on their purchase patterns or web browsing history.

At step 523, the scheduling component receives an ATP statement from ERP 113 on a period basis and provides an updated demand statement in return. As orders are booked, the order scheduling component decrements the availability of products, options, and components in near real time.

The periodic ATP statements and real-time decrements are sent to content development, the Internet, and the telesales team at step 524.

Order data and associated promotion codes are collected by the marketing campaign, sales leads, and ordering process step 525 and are used to identify customer buying patterns. This information is fed back to the plan phase to ensure a closed-loop process. Additionally, data mining 114 identifies potential opportunities for outbound telesales calls or prompts to the customer during their web shopping experience.

At step 526, the sales data relating to the demand conditioning activities are assessed. If the performance is not satisfactory, then corrective actions are required at step 527. The assessment includes the reviews of the quality and analysis of the data as part of the feedback. The data reports should be compared to the key metrics.

Trends, either up or down, in conjunction with other analytics, will provide insight into demand conditioning performance. Data mining is a critical part of the performance assessment sub-process. Data mining 114 provides recommendations for pursuing option cross-selling to large enterprise accounts, outbound telesales activities, moving solutions to other channels, and insight into the effectiveness of select telesales actions.

At step 527 appropriate corrective actions are identified based on the assessment conducted in step 526. As necessary, demand conditioning metrics are updated at step 528 for the assessment phase. Recommendations are identified and submitted to the demand conditioning meeting to adjust appropriate plans and activities.

Demand conditioning metrics are updated at step 528. The metrics are used to evaluate the business process. Recommended metrics for the optimal demand conditioning process may include the following items listed below.

Oversupply position  
Supply, No Orders  
Revenue due to operational sales activity  
Profit due to operational sales activity  
Quantity of surplus supply consumed  
Percentage of surplus supply consumed

Constrained Supply Position  
Orders, No Supply  
Revenue for alternative orders  
Profit for alternative orders

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As described above, the present invention can be embodied in the form of computer-implemented processes and apparatuses for practicing those processes. The present invention can also be embodied in the form of computer program code containing instructions embodied in tangible media, such as floppy diskettes, CD-ROMs, hard drives, or any other computer-readable storage medium, wherein, when the computer program code is loaded into and executed by a computer, the computer becomes an apparatus for practicing the invention. The present invention can also be embodied in the form of computer program code, for example, whether stored in a storage medium, loaded into and/or executed by a computer, or transmitted over some transmission medium, such as over electrical wiring or cabling, through fiber optics, or via electromagnetic radiation, wherein, when the computer program code is loaded into and executed by a computer, the computer becomes an apparatus for practicing the invention. When implemented on a general-purpose microprocessor, the computer program code segments configure the microprocessor to create specific logic circuits.

While preferred embodiments have been shown and described, various modifications and substitutions may be made thereto without departing from the spirit and scope of the invention. Accordingly, it is to be understood that the present invention has been described by way of illustration and not limitation.